

## Message Text

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47

ACTION EB-06

INFO OCT-01 ISO-00 IO-04 AF-04 ARA-06 EA-06 EUR-08 NEA-06

RSC-01 OIC-01 AGR-05 CEA-01 CIAE-00 COME-00 DODE-00

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USIA-06 PRS-01 SP-02 FEAE-00 OMB-01 SWF-01 DRC-01

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FM USMISSION GENEVA

TO SECSTATE WASHDC 0000

INFO AMEMBASSY BELGRADE

AMEMBASSY BOGOTA

AMEMBASSY BONN

AMEMBASSY CANBERRA

AMCONSUL HONG KONG

AMEMBASSY ISLAMABAD

AMEMBASSY LONDON

AMEMBASSY MEXICO

AMEMBASSY NEW DELHI

AMEMBASSY MANAGUA

AMEMBASSY OTTAWA

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY SEOUL

AMEMBASSY STOCKHOLM

AMEMBASSY TOKYO

USMISSION EC BRUSSELS

C O N F I D E N T I A L GENEVA 6438

MANAGUA PLEASE PASS MINISTER JURICH AND SMITH UPON ARRIVAL

E.O. 11652: GDS

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TAGS: ETRD, GATT

SUBJECT: TEXTILES SURVEILLANCE BODY - EC QUESTIONS INTERPRETATION MFA ARTICLE 4

REFS: A. GENEVA 6411  
B. USEC BRUSSELS 7748  
C. PHELAN-JURICH TELECON OCTOBER 9

1. AS FIRST REPORTED REF (C) AND CONFIRMED REF (A), EC REP OPENED TSB CONSIDERATION US-INDIA TEXTILE BILATERAL EVENING OCTOBER 14 WITH STATEMENT MILDLY PRAISING AGREEMENT AS "APPEARING BE" VERY LIBERAL ONE "ABOUT WHICH HE HAD ONE OR TWO MINOR QUESTIONS AND ONE QUESTION OF VERY SERIOUS NATURE. MINOR QUESTIONS WERE BASED ON OBVIOUS MISREADING OF OLD US-INDIA COTTON TEXTILE BILATERAL AND CAN BE EASILY DEALT WITH. MAJOR QUESTION WHICH EC REP WISHED TSB RULING ON WAS ON INTERPRETATION PROVISIONS OF PARA 2 ARTICLE 4 WHICH "IN THE VIEW OF SOME", SEEMED PRECLUDE COMPREHENSIVE BILATERALS SINCE IT OBVIOUS THAT THERE COULD BE NO REAL RISK OF MARKET DISRUPTION IN EVERY REPEAT EVERY CATEGORY OF TEXTILE ITEMS; E.G., ITEMS NOT PRODUCED IN IMPORTING COUNTRY. CONCLUDED BY STATING EC'S VIEW THAT RESOLUTION THIS QUESTION WAS MATTER EXTREME URGENCY WHICH TSB SHOULD RESOLVE THEN AND THERE.

2. CHAIRMAN WURTH THEN, IN DIRECT QUESTION, ASKED EC REP IF POSITION HE STATED WAS POSITION OF EC. EC REP REPLIED SOMEWHAT EVASIVELY THAT VIEW WAS HELD BY SOME MEMBER STATES BUT IT WAS, INDEED, EC POSITION, TO PUT QUESTION BEFORE TSB IN CONNECTION WITH US-INDIAN AGREEMENT SIMPLY BECAUSE THAT AGREEMENT WAS FIRST NEW AGREEMENT FORMALLY NOTIFIED UNDER ARTICLE 4.

3. US REP SAID US WOULD HAVE FOLLOWED TSB'S AGREED FORMAT IN NOTIFYING INDIAN AGREEMENT EXCEPT FOR FACT THAT TSB HAD ONLY AGREED ON FORMAT AT PREVIOUS SESSION (OCTOBER 12). US WOULD HOWEVER BE PREPARED ANSWER EC REP'S QUESTIONS ON INDIAN AGREEMENT IN WRITING UPON RECEIPT OF SAME IN WRITING THROUGH SECRETARIAT (A PROCEDURE WHICH HAD BEEN ADOPTED EARLIER ON EC INSISTENCE). US REP FURTHER STATED THAT IN REPLYING US WOULD FOLLOW NEWLY ADOPTED FORMAT FOR ALL NOTIFICATIONS AND THAT WE WOULD HOPE THAT OUR RESPONSE WOULD BE ADEQUATE FOR ALL "MINOR QUESTIONS". US REP SAID FURTHER THAT RESPONSE WOULD INCLUDE

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STATEMENT TO EFFECT THAT INDIA BILATERAL WAS, IN OUR VIEW, FULLY CONSONANT WITH THE PROVISIONS OF ARTICLE 4, PARA 2. US REP CONCLUDED BY STATING THAT US NEGOTIATING DELEGATION HAD MADE CLEAR TO EVERY DELEGATION WITH WHICH IT HAD BEEN IN CONTACT DURING NEGOTIATIONS - AND THAT HAD INCLUDED A CONTINUING CONTACT WITH EC DELEGATION - IT'S POSITION THAT US AGREEMENT TO ARTICLE 4 PARA 2 LANGUAGE, WAS PREMISED ON THE UNDERSTANDING THAT THE LANGUAGE WOULD PROVIDE NO BAR TO THE NEGOTIATION AND CONCLUSION

OF COMPREHENSIVE BILATERAL AGREEMENT. CHAIRMAN WURTH INQUIRED WHETHER EC REP HAD ANY COMMENT ON US REP'S LAST ASSERTION. EC REP REPLIED THAT HE "WOULD HAVE TO PASS" AND WOULD HAVE NO COMMENT.

4. CHAIRMAN THEN ASKED IF ANY MEMBERS WISHED COMMENT ON QUESTION POSED BY EC REP. SPANISH REP VILLAR, IN WHAT WAS FOR HIM A RELATIVELY BRIEF STATEMENT, SAID; (A) QUESTION WAS INDEED SERIOUS ONE; AND (B) PLAIN READING OF PARA 2 ARTICLE 4, IN HIW VIEW, CALLED FOR DEMONSTRATION REAL RISK OF MARKET DISRUPTION IN ANY CATEGORY RESTRAINED, IN ABSENCE OF WHICH, COMPREHENSIVE BILATERAL WOULD APPEAR BE EXCLUDED. KOREA REP SAID HE WISHED READ US RESPONSE AND HEAR STATEMENT US REP BEFORE COMMENTING. JAPAN REP (MIZOGUCHI) DECLINED COMMENT (HE HAD PREVIOUSLY INFORMED US REP HE WOULD HAVE TO DO SO PENDING RECEIPT INSTRUCTIONS FROM TOKYO). YUGOSLAV REP (TOMIC) SAID HE HAD EXAMINED BILATERAL AND IT APPEARED TO HIM TO BE A VERY LIBERAL AGREEMENT FULLY CONSISTENT WITH THE WHOLE SPIRIT OF THE ARRANGEMENT AND, FOR THAT MATTER, WITH THE PROVISIONS OF ARTICLE 4. PAKISTAN REP (SALEEM) HAD PREVIOUSLY INFORMED US REP THAT HE WOULD REMAIN SILENT FOR THIS ROUND SINCE IT APPEARED THAT TAKING A STAND NOW MIGHT ENDANGER EC MANDATE TO NEGOTIATE WITH PAKISTAN. SCANDINAVIAN REP (COLLIANDER) SAID CLEAR READING WOULD APPEAR ARGUE AGAINST ACCEPTABILITY COMPREHENSIVE AGREEMENTS BUT ON OTHER HAND TSB HAD OBLIGATION TO TAKE INTO ACCOUNT REALISTIC AND PRACTICAL MATTERS OF TEXTILE TRADE AND THAT, IN HIS VIEW, CONSIDERABLY DEEPTER DISCUSSION THIS QUESTION WOULD BE NECESSARY. CHAIRMAN THEN RULED FURTHER DISCUSSION WOULD AWAIT US FORMAL NOTIFICATION LETTER ON INDIA AGREEMENT AND SUCH STATEMENT AS US REP CARED TO MAKE. EC REP PROTESTED WAITING UNTIL NEXT TSB SESSION (NOVEMBER 14) AND INDICATED DESIRE FOR "SPECIAL SESSION" IN NEAR FUTURE. CHAIRMAN SAID IT WOULD BE CONFIDENTIAL

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PROPER AND NECESSARY AWAIT US RESPONSE AND THAT THERE APPEARED BE NO JUSTIFICATION FOR SUCH REQUEST WITH WHICH OTHER TSB MEMBERS PROMPTLY AGREED.

5. SUBSEQUENT SOUNDINGS BY US REP LEAD CONCLUSION THAT WE COULD COUNT ON "HUNG JURY" IF MATTER WERE BROUGHT TO HEAD NOW AND, UNDER TSB CONSENSUS RULE, NO RECOMMENDATIONS WOULD BE FORTHCOMING. IT WOULD, HOWEVER, APPEAR BE PREFERABLE HAVE EC, IF POSSIBLE, WITHDRAW QUESTION WHICH WOULD TAKE HEAT OFF PRACTICALLY EVERY MEMBER OF TSB AND AVOID POSSIBILITY HAVING MATTER RAISED BY EC OR SOMEONE ELSE IN DECEMBER TC MEETING. UNCTAD PRESSURES IN TC MEETING COULD FORCE US TO, IN EFFECT, "RENEGOTIATE" ONLY PROVISION OF ARRANGEMENT WHICH IS OF PARAMOUNT IMPORTANCE TO US.

6. CONSENSUS HERE AMONG ALL CONTACTS IS THAT QUESTION WAS FORCED BY FRG IN ORDER PRESERVE REAL RISK MARKET DISRUPTION CRITERIA AS DEFENSE AGAINST FRENCH AND ITALIAN USE THIS CLAIM TO AVOID THEIR "FAIR SHARE" OF IMPORT BURDEN ARISING FROM PROVISIONS OF NEW ARRANGEMENT. BRITISH PROBABLY ALSO SUPPORTING GERMAN VIEW.

7. STRONGLY RECOMMEND EARLY JURICH VISIT TO LONDON, BONN AND BRUSSELS IN EFFORT REFRESH MEMORIES IN THESE CAPITALS AS TO WHAT THE UNDERSTANDINGS WERE IN THE COURSE OF THE NEGOTIATIONS OF THIS ARRANGEMENT. MEANTIME, US REP WILL CONTINUE THIS EFFORT HERE AMONG COLLEAGUES ON TSB. USEC BRUSSELS HAS INFORMATION INDICATING UK BELIEF THAT NEW US BILATERALS ARE NOT VERY LIBERAL AND OF LITTLE IMPROVEMENT OVER LTA BILATERALS. JURICH SHOULD BE PREPARED SHOW UK OFFICIALS THE CONTRARY WITH MATHEMATICAL AND OTHER READILY AVAILABLE EVIDENCE. UNDERSTAND JURICH HAS FAR EAST COMMITMENTS TOWARD END OF MONTH BUT STRONGLY RECOMMEND HE CONSIDER APPROACHING FAR EAST VIA EUROPE. DALE

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